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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, MAY 5, 1999

APPLICATION OF

C & P ISLE OF WIGHT
WATER COMPANY

CASE NO. PUE980368

For certificate pursuant
to §§ 56-265.2 and 56-265.3 D.

FINAL ORDER

On order entered October 9, 1998, the Commission severed consideration of the Queen Anne's Court subdivision from the other subdivisions for which C & P Isle of Wight Water Company ("C & P" or "the Company") had originally filed its application July 13, 1998. That same order prescribed notice to be furnished to all customers in the Queen Anne's Court subdivision, affording them an opportunity to submit comments or to request a hearing concerning C & P's application for authority to acquire water facilities in Queen Anne's Court and authorizing the transfer of the water certificate of DLG Utility Corporation ("DLG"). The notice also specified that transfer of the water facilities to C & P, involved a slight increase in bi-monthly recurring rates, as compared to those previously approved for DLG, and the notice also mentioned C & P's petition requesting approval for it to acquire and for DLG to dispose of water facilities in the Queen Anne's Court subdivision.

That order specified a cut off date of November 13, 1998, for any such comments or requests for hearing. It also directed appropriate members of the Commission's Staff to review the application and the petition and to submit one report detailing their findings and recommendations on or before November 20, 1998.

No requests for hearing were received on or before November 13, 1998. Only one customer complaint was received by that date, but two additional customer complaints were received before the Staff Report was filed November 20, 1998. After the filing of the Staff Report, Staff received a duplicate of one of the complaint letters together with an enclosed petition containing signatures representing five additional households.

On December 21, 1998, Staff submitted its supplemental report in Case No. PUE980368, addressing the customer complaints. The eight complaints received represent about 13% of the 60 customers served by the water and sewer systems. No hearing is required because no complainant requested one. Also, a hearing is not required by § 56-265.3 of the Code of Virginia unless requested by 25% or more of the customers.

The Supplemental Staff Report reviewed the eight complaints and noted that none of them contested the transfer of water facilities to C & P, the water rates proposed by C & P, or the granting of a Certificate of Public Convenience and Necessity to

C & P. Instead, the complaints were directed to the service and the perceived sewer rates of DLG. Staff determined that some of the customers' complaints about higher bills were actually the result of higher consumption. Customers were comparing their billings during the low usage winter months with the higher usage summer months of June and July. Staff also discovered that DLG had implemented an unapproved rate increase for the billing cycle covering the months of June and July. Staff notified DLG and DLG agreed to lower its bi-monthly rate so that customers would receive essentially the same combined rates for C & P's water and for DLG's sewer service as they had previously received when DLG provided both services. DLG refunded the excess amounts collected in June and July on the customers' August and September bills.

Staff forwarded a letter to each complaining customer explaining the results of its investigation and the reasons for the apparently higher sewer bills. No additional comments have been received from these customers.

Part A of the Staff Report of November 20, 1998, addressed the amending of C & P's Certificate of Public Convenience and Necessity to allow it to provide water service to the Queen Anne's Court subdivision pursuant to § 56-265.3 of the Code of Virginia and the grant of authority to C & P to acquire water facilities pursuant to § 56-265.2 of the Code of Virginia. It

concluded that the amendment to C & P's Certificate should be granted and that C & P should be authorized to acquire the water facilities.

C & P also requested that it be relieved of the obligation to maintain separate usage and cost information for each of its water systems and provide such information to the Commission's Staff as directed by the Commission's final order of August 5, 1996, Case No. PUE950062. The Staff Report recommended no change, such that C & P still be required to submit detailed usage and cost data for 1998.

Part B of the Staff Report of November 20, 1998, concluded that the transfer of water supply facilities from DLG to C & P should be approved because the transfer was not expected to impair or jeopardize the provision of adequate service to the public at just and reasonable rates. This will be addressed in a separate order in Case No. PUA980017.

Based upon the Staff Report, The Supplemental Staff Report, and the comments received, the Commission is of the opinion and finds: (1) that C & P is capable of providing adequate and reliable service in Queen Anne's Court subdivision; (2) that C & P is qualified to operate and maintain the water system in Queen Anne's Court; (3) that water certificate number W-286 held by DLG Utilities Corporation should be cancelled and water certificate number W-283a held by C & P Isle of Wight Water

Company should be amended to include water service to the Queen Anne's Court subdivision; (4) that public convenience and necessity require that C & P acquire the water facilities of DLG in Queen Anne's Court subdivision; and (5) that C & P continue to collect usage information separately for each water system on an annual basis and submit such information to the Commission's Division of Energy Regulation and that it continue to maintain system costs separately for each water system and, on an annual basis, submit such cost information to the Commission's Division of Public Utility Accounting. The transfer of utility assets from DLG to C & P shall be addressed in a separate order in Case No. PUA980017. Accordingly,

IT IS THEREFORE ORDERED THAT:

(1) C & P is granted a certificate of Public Convenience and Necessity to acquire the water facilities of DLG in Queen Anne's Court subdivision.

(2) Water certificate number W-286 in the name of DLG shall be cancelled and water certificate number W-283a held in the name of C & P shall be cancelled.

(3) Water certificate number W-283b is issued to C & P to include the service territory of Queen Anne's Court subdivision as well as the territory previously contained in water certificate number W-283a.

(4) C & P's existing water utility rates for metered service in Isle of Wight County for Rushmere Shores/Poplar Harbor No. 1 and Poplar Harbor No. 2 are approved for Queen Anne's Court subdivision.

(5) C & P is to collect usage information separately for each system on an annual basis and submit such information to the Commission's Division of Energy Regulation and C & P is to maintain system costs separately for each water system and, on an annual basis, submit such information to the Commission's Division of Public Utility Accounting.